

## TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1-2
EXECUTIVE SUMMARY	2
AGENCY RESPONSE	2
FINDINGS, COMMENTS AND RECOMMENDATIONS	
DOCUMENTATION TO SUPPORT ADDRESS CHANGES	3-4

## **INTRODUCTION**

The Office of Internal Audit performed an audit of the 2005 and 2006 Office of Child Support (OCS) escheat items. The objective of our audit was:

1. To review 2005 and 2006 MiCSES transactions initially selected for escheat to Treasury, but not actually escheated to Treasury, for appropriate handling.

This audit was conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. This audit was performed at the request of Office of Child Support (OCS) Management.

## **SCOPE**

The scope of our review included obtaining and reviewing appropriate records and documents, as we considered necessary to satisfy our objective. We obtained and reviewed OCS policy Action Transmittals (AT's), the Treasury Unclaimed Property Act, and the Treasury Manual for Reporting Unclaimed Property as they related to the 2005 and 2006 escheat process. We also obtained and reviewed OCS and State Court Administrative Office (SCAO) policies that related to Maintenance and Verification of Case Data and address changes.

We performed a risk assessment and determined that the primary reason items which were selected for escheat, but did not escheat, was that an address change of one of the parties on the case occurred, causing items that were on HOLD to be released from HOLD and disbursed. To this extent, we decided to focus our testing on whether address changes that occurred causing items to not escheat, were performed appropriately and money that was released from HOLD as a result of the address change was disbursed to

the appropriate party. We also determined that items which were in the SCBA, SNBA, and SVOI HOLD codes were most at risk of being disbursed to an inappropriate party.

We obtained a population of items that were selected for escheat in the Michigan Child Support Enforcement System (MiCSES) in July 2005. We obtained a population of items that were actually escheated to Treasury in November 2005. We combined the two populations to determine a new population of items that were initially selected for escheat, but did not escheat. We consolidated the new population of individual items by IV-D Member ID. We followed the same process for 2006 escheat items. On a sample basis we selected and reviewed address change documentation for 150 members (75 for each year) that had escheat items released from the SCBA, SNBA, and SVOI HOLD codes. Our sample included obtaining documentation from 23 Friend of the Court (FOC) offices, 1 Prosecuting Attorney (PA) office, OCS Central Offices, and the State Disbursement Unit (SDU). We assessed the results of our review, formulated recommendations, and prepared an audit report for distribution to appropriate recipients. Audit fieldwork was performed primarily between April 2007 and February 2008.

## **EXECUTIVE SUMMARY**

In our opinion, there was reasonable assurance that items which were initially selected for escheat, but not actually escheated to Treasury, were handled appropriately. However, we noted a finding related to lack of documentation to support address changes for members that had escheat items released from SCBA, SNBA, and SVOI HOLD codes.

## **AGENCY RESPONSE**

OIA received a memo from the OCS Director on 5/07/08 indicating that OCS was in general agreement with the finding communicated in this report.

## **FINDINGS, COMMENTS AND RECOMMENDATIONS**

### **Documentation to Support Address Changes**

1. The Office of Child Support (OCS) should ensure that all IV-D staff are aware of and follow OCS policies related to address changes.

OCS Action Transmittal 2006-022, Maintenance and Verification of Case Data, outlines OCS policies in which the address of a party on a IV-D case can be changed.

During the course of 2005 and 2006 escheat testing we reviewed documentation for a total of 150 member address changes (75 for each year, with 25 each being from members that had items on the SCBA, SNBA, and SVOI HOLD codes) performed by IV-D staff that caused items to not escheat. The goal was to determine that for items initially selected for escheat, but that did not escheat, that the money was released to a valid address and that there was documentation to support the address change. We were unable to determine that 11 out of the 150 (7.33%) address change items tested were released to an appropriate address. Of the remaining 139 items tested, we did not identify any instances where an item we were testing was released to an inappropriate address. The following are the reasons we were unable to determine that items tested were released to an appropriate address:

- Four address changes were performed by FOC offices based only upon a telephone call from a party on the case. This resulted in these items not having adequate documentation to support the address changes. One 2005 SCBA sample item, one 2006 SCBA sample item, one 2005 SVOI sample item, and one 2006 SVOI sample item were effected.

- Six address changes were performed by FOC offices where they did not retain documentation to adequately support the address change. We noted that for four of these address changes, the FOC office performing the change informed us of plans to educate its staff members related to retaining documentation after updating addresses. One 2005 SNBA sample item, one 2006 SCBA sample item, and four 2006 SNBA sample items were effected.
- In one instance, a valid address change form was received by the SDU but the new address was never entered into the system. The old address was end-dated. Although there was support for an address change that should have occurred, the address change was never performed. One 2005 SVOI sample item was effected.

Not documenting an address change could potentially lead to an inappropriate address change being entered into the system and child support money not being disbursed or being disbursed to the wrong party.

We RECOMMEND that OCS ensure that all IV-D staff are aware of and follow OCS policies related to address changes.